



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
CRITTENDEN COUNTY
SHERIFF'S SETTLEMENT - 1999 TAXES
AND
SHERIFF'S SETTLEMENT - 1999 FLUORSPAR
MINERAL RESERVE TAXES**

June 20, 2000

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CRITTENDEN COUNTY SHERIFF'S SETTLEMENT - 1999 TAXES AND SHERIFF'S SETTLEMENT - 1999 FLUORSPAR MINERAL RESERVE TAXES

June 20, 2000

The Auditor of Public Accounts has completed the audit of the Crittenden County Sheriff's Settlement - 2000 Taxes and the Sheriff's settlement - 1999 Fluorspar Mineral Reserve Taxes. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Report Comment:

The Sheriff Should Require Depository Institutions To Pledge Or Provide Additional Collateral Of \$176,213 To Protect Deposits



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Victor P. Hardin, Crittenden County Judge/Executive
Honorable Wayne Agent, Crittenden County Sheriff
Members of the Crittenden County Fiscal Court

Independent Auditor's Report

We have audited the Crittenden County Sheriff's Settlement - 1999 Taxes as of June 20, 2000, and the Sheriff's Settlement - 1999 Fluorspar Mineral Reserve Taxes as of June 20, 2000. These tax settlements are the responsibility of the Crittenden County Sheriff. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the Crittenden County Sheriff's taxes charged, credited, and paid as of June 20, 2000, in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Victor P. Hardin, Crittenden County Judge/Executive

Honorable Wayne Agent, Crittenden County Sheriff

Members of the Crittenden County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated June 12, 2001, on our consideration of the Sheriff's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comment.

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Additional Collateral Of \$176,213 To Protect Deposits

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 12, 2001

CRITTENDEN COUNTY
WAYNE AGENT, SHERIFF
SHERIFF'S SETTLEMENT - 1999 TAXES

June 20, 2000

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 224,430	\$ 147,651	\$ 728,412	\$ 291,365
Tangible Personal Property	18,993	12,329	56,666	47,899
Intangible Personal Property				11,644
Fire and Flood Protection		5,569		
Franchise Corporation	33,353	21,656	99,755	
Increased Through Erroneous Assessments	11	8	37	15
Penalties	2,033	1,366	6,586	2,895
Adjusted to Sheriff's Receipt	<u>(471)</u>	<u>(295)</u>	<u>(1,514)</u>	<u>(604)</u>
Gross Chargeable to Sheriff	<u>\$ 278,349</u>	<u>\$ 188,284</u>	<u>\$ 889,942</u>	<u>\$ 353,214</u>
<u>Credits</u>				
Discounts	\$ 3,458	\$ 2,358	\$ 11,132	\$ 5,077
Exonerations	403	265	1,307	523
Delinquents:				
Real Estate	2,704	1,797	8,775	3,510
Tangible Personal Property	<u>110</u>	<u>72</u>	<u>329</u>	<u>401</u>
Total Credits	<u>\$ 6,675</u>	<u>\$ 4,492</u>	<u>\$ 21,543</u>	<u>\$ 9,511</u>
Net Tax Yield	\$ 271,674	\$ 183,792	\$ 868,399	\$ 343,703
Less: Commissions *	<u>11,833</u>	<u>7,811</u>	<u>34,736</u>	<u>14,895</u>
Net Taxes Due	\$ 259,841	\$ 175,981	\$ 833,663	\$ 328,808
Taxes Paid	259,215	175,567	831,674	328,234
Refunds(Current and Prior Year)	<u>636</u>	<u>420</u>	<u>2,020</u>	<u>660</u>
Due Districts or (Refunds Due Sheriff)		**		
as of Completion of Fieldwork	<u>\$ (10)</u>	<u>\$ (6)</u>	<u>\$ (31)</u>	<u>\$ (86)</u>

* and ** See Page 4

CRITTENDEN COUNTY
WAYNE AGENT, SHERIFF
SHERIFF'S SETTLEMENT - 1999 TAXES
June 20, 2000
(Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	789,168
4.0% on	\$	868,397

** Special Taxing Districts:

Library District	\$	11
Extension District		(17)
Fire Arces		0
Flood Plains		0
		<hr/>
Due Districts or (Refunds Due Sheriff)	\$	<u>(6)</u>

The accompanying notes are an integral part of the financial statement.

CRITTENDEN COUNTY
WAYNE AGENT, SHERIFF
SHERIFF'S SETTLEMENT - 1999 FLUORSPAR MINERAL RESERVE TAXES

June 20, 2000

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Limestone, Gravel	\$ 176	\$ 116	\$ 571	\$ 228
Flourspar	324	213	1,051	420
Gross Chargeable to Sheriff	\$ 500	\$ 329	\$ 1,622	\$ 648
<u>Credits</u>				
Discounts	\$ 8	\$ 6	\$ 25	\$ 10
Delinquents	2	1	7	3
Total Credits	\$ 10	\$ 7	\$ 32	\$ 13
Net Tax Yield	\$ 490	\$ 322	\$ 1,590	\$ 635
Less: Commissions *	21	14	64	27
Net Taxes Due	\$ 469	\$ 308	\$ 1,526	\$ 608
Taxes Paid	465	307	1,526	604
Due Districts or (Refunds Due Sheriff) as of Completion of Fieldwork	\$ 4	** 1	0	4

* and ** See Page 6

CRITTENDEN COUNTY
WAYNE AGENT, SHERIFF
SHERIFF'S SETTLEMENT - 1999 TAXES
June 20, 2000
(Continued)

* Commissions:

4.25% on	\$	1,447
4.0% on	\$	1,590

** Special Taxing Districts:

Library District	\$	1
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Due Districts or (Refunds Due Sheriff)	<u>\$</u>	<u>1</u>
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The accompanying notes are an integral part of the financial statement.

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENT

June 20, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of November 22, 1999, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$176,213 of public funds uninsured and unsecured.

CRITTENDEN COUNTY
 NOTES TO FINANCIAL STATEMENT
 June 20, 2000
 (Continued)

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of November 22, 1999.

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county official's name	\$ 600,000
Uncollateralized and Uninsured	<u>176,213</u>
Total	<u>\$ 776,213</u>

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1999. Property taxes were billed to finance governmental services for the year ended June 30, 2000. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 15, 1999 through May 11, 2000.

Note 4. Fluorspar Mineral Reserve Taxes

The tangible property tax assessments were levied as of January 1, 1999. Property taxes were billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was January 24, 2000 through April 5, 2000.

Note 5. Interest Income

The Crittenden County Sheriff earned \$1,844 as interest income on 1999 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

COMMENT AND RECOMMENDATION

CRITTENDENCOUNTY
WAYNE AGENT, SHERIFF
COMMENTS AND RECOMMENDATIONS
As of June 20, 2000

STATE LAWS AND REGULATIONS:

The Sheriff Should Require Depository Institutions To Pledge Or Provide Additional Collateral Of \$176,213 To Protect Deposits

On November 22, 1999, \$176,213 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

Sheriff's Response:

Due to the collateral of securities agreement & the receipts for pledges, this office was unaware that it was not covered year round.

PRIOR YEAR:

None.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

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Honorable Wayne Agent, Crittenden County Sheriff

Members of the Crittenden County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Crittenden County Sheriff's Settlement - 1999 Taxes as of June 20, 2000, and the Sheriff's Settlement - 1999 Fluorspar Mineral Reserve Taxes as of June 20, 2000, and have issued our report thereon dated June 12, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Crittenden County Sheriff's Settlement - 1999 Taxes and Sheriff's Settlement - 1999 Fluorspar Mineral Reserve Tanks as of June 20, 2000, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying Comments and Recommendations.

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Additional Collateral of \$176,213 To Protect Deposits

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Crittenden County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 12, 2001

